

LATIN AMERICA IN 2020

“Two Steps Forward, One and a Half Back”

Latin America has seen many changes, often for the better, in the past twenty years. Democratic governments, admittedly not always on firm foundations, have largely replaced the dictatorships. Many of the civil wars have been resolved. There has been some improvement in living standards and economic performance. The issue is whether the region can build on this progress or whether the inherent structural weaknesses will doom Latin America to another couple of decades of relative underachievement. The subtitle of this paper suggests the scenario we expect to unfold.

In the next seventeen years, Latin America will see some improvements, but not enough for it to keep up with the rest of the developing world, let alone to address its own serious needs. Although the region will not remain static over the next two decades, Latin America's inherent dynamism will not be enough to offset its many problems, particularly those related to governance. Figuratively speaking, while other parts of the developing world might be expected to move only one step back for every two steps forward, over the next two decades, Latin America is more likely to move back one and a half steps for every two it takes forward.

Clearly, it is impossible to generalize about an entire region without running the risk of masking nuances. Cuba, for example, could be in a much better place in 2020 than it is today. The same may be true for Mexico. Haiti and some of the Caribbean islands could be even worse off. In some likely scenarios, Brazil could be better off; in others, worse. Over all, however, we expect the changes to be gradual, and much slower than they should be, given the resources and opportunities at the disposal of Latin American governments.

We begin the examination of Latin America in 2020 with the seven key drivers originally identified for the exercise. Two of these are the crucial determinants of progress --- **national and international governance** and **the role of the USA**.

The other drivers provide the context for developments over the next 17 years --- **demographics, natural resources and the environment, science and technology, the global economy and globalization, and the future of conflict**.

We then turn to the most likely scenario for the region. This examination is divided into two sections. The first looks at the main trends for the region as a whole --- **regional integration and democracy, the FTAA, trade and the economy, and security cooperation**. The second part of our scenario for 2020 considers possible futures and important factors for **specific countries and regions** in the Western Hemisphere.

Finally, we consider some **wildcard events** that could affect the region in the coming years and that would change how the region might look in 2020.

KEY DRIVERS AND THEIR EFFECT ON LATIN AMERICA TO 2020

National and International Governance

Inconsistency in meeting the challenges of governance has characterized Latin America over the past two decades, and it will likely remain so for the next two. A pattern of government ineffectiveness continues to keep Latin America from taking full advantage of trends in the global economy and realizing its potential. If this pattern continues, the next 17 years are likely to present more obstacles than opportunities. The failure to address poverty and the gap between rich and poor, for example, will continue to thwart development. A few areas where shortcomings in governance persist are: official corruption, rule of law, effective taxation, judicial independence, human rights, police effectiveness, security, delivery of services, business development, and complex regulatory environments.

These shortcomings have affected the ability of governments to undertake market-oriented reforms, and this is likely to continue for the coming decades. In turn, this will influence the ability of the region to implement plans for regional integration or trade agreements. Whether the model of integration being pursued is a comprehensive FTAA, a more piecemeal approach such as Mercosur, or a series of “hub and spoke” bilateral trade deals between the nations of the hemisphere and the USA, the future of the region depends not only on which model, or mixture of models, is chosen, but, more importantly, on how effectively any integration strategy can be implemented. The likely future is one, therefore, in which such integration takes effect slowly, gradually wearing away some of the most obstructive aspects of governance. Agreements will, in most cases, call for changes that governments will find difficult to implement (e.g. labour and property law, administration of justice, elimination of corruption), but that they will enact piecemeal.

Not everything related to the governance of the past two decades can be characterized in gloomy terms. GDP per capita growth, admittedly, was minimal (at about 11% total growth for the 1980-1999 period, and not much more than 1% [i.e. 0.2% per year] for the 2000-2004 period). Amidst the stops and starts over the past couple of decades, however, there have been improvements in various human development indicators; standards of health care are better, longevity has increased, literacy is improved, labour codes are in place and infant mortality rates are down. Even if governments are unable to capitalize on these improvements, by 2020, the region will surely be better off than it is in 2003, but not necessarily very much.

The most positive aspect of Latin America’s future is the likelihood that, well before 2020, the WTO, and possibly some spawn of the FTAA, will have opened world markets and the US market, particularly to agricultural goods, an area that will have a major effect on the economies of some of the key countries of the hemisphere. As far as other aspects of global or even regional governance, such as the United Nations, the OAS, CARICOM, MERCOSUR or other new bodies that could impose rules or standards of behaviour on the region, there is little prospect for much change. (Haiti could be a protectorate of the United Nations by then, delegated to the OAS. If the smaller economies of the Caribbean are not able to compete, they too could be under some form of tutelage, but, in general, the next 17 years are unlikely to change the way governments of the region relate to each other or to larger multilateral organizations.)

The Role of the USA--- Damned if you do; damned if you don’t

The basic attitudes of Latin American governments towards the USA are unlikely to change, although the specific countries most eager to cooperate with or confront American ambitions will probably be different by 2020. Today, with some exceptions (Cuba, Venezuela, and Brazil, for example), Latin American governments tend to be ambivalent towards the USA, alternately resenting its influence and seeking its cooperation, or, at least, its markets. They tend to resent any hint of infringement on their sovereignty. The challenge for the USA has been, and will likely remain, engaging the region without appearing to dominate it. Without US leadership, there is often limited capacity within the region itself to move an agenda forward. On the other hand, if the USA appears to be pushing an agenda, it is likely to come under suspicion.

The approach taken by Washington towards the region will, nevertheless, continue to be a key driver in the development of the hemisphere. Early intervention in situations that could have wide implications for the region, be they financial, political, or social, especially if that intervention is welcomed by the country or countries in question, will bring about one result. Benign neglect will bring about another result. The difference that deliberate US engagement can make in Latin America is obvious. Colombia's recent progress in its security and policy environment is one example, albeit an expensive one. The changes in Central America's trade and regulatory environment in anticipation of free trade agreements with the USA is another. To some extent, then, developing a scenario for Latin America in 2020 would require developing a global scenario to assess likely US interests.

Our assessment is that there will always be demands on the USA from places where trade and physical security are in crisis elsewhere in the world that distract American attention away from Latin America. By 2020, we expect that Latin America, by and large, will have muddled through, with the occasional crisis, but nothing that seriously threatens US interests. This will allow other countries such as China, India, Japan, and the European Union a greater field of opportunity in the region. Besides being a key market, China is likely to become a particularly significant investor in Latin America. So long as Washington does not perceive this as a threat to its interests, the region will continue to be treated as a place for US business to engage but as a place that does not command the sustained, serious attention of the most senior policy makers. The greater demographic weight of the US Hispanic community will, however, ensure that the hemisphere has not fallen off the government radar.

SECONDARY DRIVERS AND THEIR EFFECT ON LATIN AMERICA TO 2020

The remaining drivers are significant, but secondary. They will shape the context in which the main trends and key drivers will play out in the coming two decades. For the most part, they represent forces over which Latin American governments have little or no control, or are unlikely to exercise the control they do have.

Demographics

The expected rise of the aged population in Latin America, in both relative and absolute terms, will increase demand for government services at a time when most countries will lack the institutional or political resources effectively to integrate an expected youth bulge into the tax-paying workforce. Rapid urbanization will also mean increased demands from unskilled labour in the cities and more

disruption of traditional rural ways of life, ultimately leading to a greater burden on the state. To paraphrase a 2000 UN report on future demographic trends, then, Latin America is at risk of growing old before it grows up. Countries with aging populations and falling birth rates will go grey before economic development provides resources necessary for care of the elderly.

Natural Resources and the Environment

The US Department of Energy forecasts that worldwide demand for oil will remain high through 2025, while prices will remain volatile. Brazil, Colombia, Argentina, Ecuador, and Mexico have the capacity to increase production and contribute meaningfully to non-OPEC supplies. Venezuela has the greatest Latin American potential, and, current turbulence notwithstanding, it will have increased production by 2020. Increased production and consumption of natural gas will be, by far, more dramatic. Consumption in 2025 is expected to double 2001 levels. In Latin America, the main beneficiaries of this trend by 2020 will be Argentina, Bolivia, Venezuela and Trinidad and Tobago, the countries with the greatest reserves. Liquefied natural gas will be more prevalent, and the hemisphere will surely have expanded its facilities beyond the only one currently in operation in Trinidad and Tobago. While tapping energy resources will provide necessary capital to the countries involved, governance issues will determine whether the country as a whole benefits and whether economies will be able to diversify away from dependence on one key commodity.

There is little scope for optimism about the fate of Latin America's environment over the next 17 years. Even a growth of the middle classes, which are often more sympathetic to environmental protection, would not necessarily be sufficient to generate political will to prioritize environmental issues. Rapid growth would increase water use, industrial pollution and deforestation, and the demands of development would quickly overcome arguments in favour of conservation. More sluggish growth would reduce the priority of conservation as developing Latin American countries may seek to attract investment through lower environmental standards. There will be some localized "successes," brought about by a combination of native peoples' objections to development and pressure from global NGOs, but these are unlikely to be the norm. Environmental clauses in free trade agreements will also have some small effect, but, unless the global community decides to commit large sums of money for environmental causes in Latin America, the situation is not likely to be improved markedly by local government decision-making.

Finally, because of global warming, there will be an increase in natural disasters and weather events, such as flooding and hurricanes. These events will continue to have a serious and disproportionate effect on Latin America's smaller and more fragile economies that are dependent on tourism and/or single crops.

Science and Technology

Research and development have not been, and are unlikely to become capable of altering Latin America's future significantly. Developments in Brazil's much-vaunted pharmaceutical industry are more policy-oriented than they are driven by innovation. New technologies will present opportunities for niche markets but Latin America will continue to be a net technology importer rather than a trailblazer.

Global Economy and Globalization

In light of limited capacities to take advantage of improvements in the global economy and globalization, Latin America will likely continue to lag behind global growth. Moreover, it will face continued and protracted competition from other developing economies, especially Asia and Eastern Europe, for foreign direct investment and export markets. Although strong growth in Asia may create new opportunities for Latin America in terms of sources of investment and new markets, by and large, Latin America will generally remain weak because of investment risk aversion, unsustainable debt loads, unemployment, and a labour force that lacks the skills and education to compete.

By 2020, freer trade for agriculture will be a boon for Latin American growth. It will also have increased the credibility of globalism as a force for good that can and does deliver benefits to ordinary people as well as corporations. The ability of governments in the hemisphere to take advantage of the opportunities offered by freer trade in agriculture and in other goods and services will limit growth, but countries such as Brazil will surely find their position significantly enhanced.

The Future of Conflict

The fragile economies of Latin America are more likely to be seriously affected by the outbreak of interstate violence elsewhere in the world than they are to suffer invasion from a neighbour. Open hostilities are unlikely to break out between Latin Americans over the next twenty years. There are, however, potential trouble spots where tensions may arise. In no particular order, they are: the Falkland Islands; the Colombia-Venezuela border; the Guyana-Venezuela border; the Guatemala-Belize border; the Ecuadorian-Peruvian border; the Haiti-Dominican border; and Brazil's Amazonian borders. It is more likely that, in some countries, civil war or unrest could surface. Countries least successful in repairing the governance deficit and better distributing the wealth they generate will be exposed to the dangers of populism, sometimes expressed in violent terms by idealistically driven or indigenous groups.

THE SCENARIO FOR LATIN AMERICA IN 2020

Introduction

For Latin America, there are only two viable scenarios -- one in which drivers and trends evolved towards a net positive outcome and another in which they evolved towards a net negative outcome.

The net positive scenario depends on successful and extensive regional cooperation and integration, permitting increasing stability and allowing Latin America to weather localized or temporary economic shocks. This would include a healthier approach to governance issues, strengthening democratic structures and broadening the participation of the population in the economic life of the country. At the same time, countries of the region would adopt a more open approach to regional security, characterized by confidence-building and interstate cooperation.

The net negative scenario foresees a diminution in the current impulse towards regional cooperation and integration. Improvements in any one country would be less likely to translate into improvements elsewhere, and all countries would be largely on their own in weathering shocks in the international system. Even under this scenario, it is unlikely that democratic institutions would be swept away on a large scale, but governance would be poor and the participation of the population in the economic life of the country minimal. At the same time, and partly as a result of the lack of regional cooperation, Latin American countries would be disinclined to approach security issues on a collective basis.

While we see elements of both scenarios in individual countries over the coming two decades, our general assessment is that the region will move forward, but slowly. In other words, the progress of the past two decades is a true harbinger of the progress we can expect until 2020.

We examine below where Latin America is likely to be in 2020 with regards to regional integration, democracy, the economy, and security. Finally, given that the region is made of up very different players, we offer some thoughts on how individual countries might look in 2020.

Regional Integration and Democracy

In 2020, Latin America's real advances in regional cooperation will likely have fallen short of the ambitious plans of comprehensive political and economic integration envisioned for the hemisphere in the 1990s. A hemispheric FTAA may well be in place by 2020, but its substance will be less significant than was envisaged in the 1990s because key issues will have been dealt with on a global basis through some form of WTO negotiations. The OAS will remain a regional General Assembly, consensus-driven and lacking any effective Security Council. Democracy will have grown more entrenched throughout the hemisphere, but the inability to deal with the gap between rich and poor will mean that populists and ideologues will still have followers, some of whom may be successful for a time in reversing democratic progress in individual countries. The danger of this happening is greater in the poorer countries, but not necessarily those which have the greatest number of poor. (The Andes, parts of Central America, possibly Paraguay, and Haiti will still be vulnerable, whereas Brazil and Argentina will be more likely to weather non-democratic populist revolt.)

The Economy, the FTAA, Trade and Investment

Much of Latin America will find it difficult fully to realize the benefits of trade arrangements. As a result, Latin America as a whole will continue to suffer from periodic localized economic and financial crises and remain vulnerable to economic troubles elsewhere in the world. Growth will typically be uneven and inconsistent. On the whole, national economies throughout the region will not have kept pace with other developing regions. The divide between the rich and the poor will not have been closed, but levels of poverty will not be as extreme as they are today.

Whatever the fate of the FTAA, it will not be the final word in hemispheric trade integration. Within the framework of the WTO, many Latin American states will be motivated to adopt common positions in order to improve their leverage; common positions that could do much to motivate deeper regional trade integration. The longer it takes to complete an FTAA, the more likely it is that individual countries will have struck deals with the USA, non-hemispheric trading partners, and with each other. Thus, even if, by 2020, a comprehensive FTAA is in place, it will have to take account of the privileges contained in the separate trade agreements. Furthermore, with or without an FTAA, the use of protectionism is unlikely to be entirely eliminated, particularly among Latin American nations themselves. The use of protectionist practices will be reduced, regulated, and disciplined, compared to current levels. Sub-regional groups, like Mercosur, may retain some political identity, but their utility as a trading bloc will be weakened by whatever larger trading arrangements are in place in the hemisphere in 2020.

By 2020, markets in Asia will likely be increasingly hungry for agricultural products. Brazil will be the main beneficiary of this development. Its balanced global trade has prepared it to seek growth outside the hemisphere. Should Brazil continue to find better results beyond the hemisphere, its push for regional Latin American integration on its terms will probably diminish. It will, nevertheless, remain the preeminent country in South America and, increasingly, the leader of the continent in the global arena.

At the end of the second decade of this century, Central America and the Caribbean will have grown closer to North America and Mexico. South of Panama, on the other hand, most states will have special arrangements with Brazil and Mercosur. Even these countries, however, will seek strong ties to North America where markets and the standard of living will retain their appeal.

Latin America will likely suffer a continuing shortage of investment, despite the fact that investors in the USA, Europe, China and Canada continue to show some interest. The element of risk is not likely to have faded. By the same token, Latin Americans themselves are unlikely to fill the void by channelling their investments into domestic instruments. Without improvements in governance that give Latin Americans a greater sense of security, they will continue to invest abroad.

Security

Protection of sovereignty will be the purview of the military, but most other aspects of security will rest with civilian authorities. Exceptions to this will arise under extreme circumstances when the political level decides a situation has become too difficult for civilian police to manage. Even in such situations, however, the primacy of the civilian authority will remain clear. This is unlikely to have changed by 2020 as the memory of military dictatorships, and military-inspired coups, throughout the region will ensure a degree of suspicion on the part of civilian governments. On the other hand, if

there is no recurrence of coups in the coming years, some civilian governments may turn to the military to handle some aspects of security that exceed the capacity of the police, such as international terrorism and transborder crime. The military will remain a force of last resort in handling domestic disturbances.

Global terrorism will remain a peripheral issue for most countries in Latin America, but most will have adopted at least minimal practices in light of US concerns. Building a region-wide security policy will remain highly sensitive throughout Latin America, and little progress will have been achieved. Most countries will prefer that security be dealt with through a patchwork of bilateral arrangements amongst Latin American countries themselves rather than a comprehensive agreement either among themselves or with the North. There is potential for a greater degree of cooperation amongst regional police forces. Some border problems will persist but violence within states will remain a much greater problem. Typically, such violence will manifest alongside criminal activities, aggravated by governments' inability to address socio-economic disparities. Localized turbulence will be inspired by populist and indigenous groups dissatisfied with their share of the national wealth.

Militant indigenous movements will be major political factors in several Latin American countries. They will work with other disaffected groups whose concerns and objectives coincide or overlap with theirs— labour, coca farmers, environmental and anti-globalization activists, other populists or ideologically-driven activists— notably in opposition to orthodox, market-oriented economic policies. They will attack socio-economic inequities, oligarchic rule, widespread poverty, marginalization of indigenous, peasant, and poor populations, institutional corruption, and other governance deficiencies. These activities will contribute to political tensions, turmoil, and occasional crises, with negative consequences for economic growth and development, leading, ultimately, to a deterioration in, or at least slowing improvement of, the conditions that inspired the unrest.

Transnational crime, linked to domestic criminal activities will continue to challenge the capacity of states to cope. The levels of corruption currently in play are unlikely to have been reduced to any significant extent. So long as narco-trafficking remains a basic part of the livelihood of large sections of the population and alternate methods of making a living are absent, there will be threats to the stability of states in the region. The fact that key states, such as Brazil, will continue to provide both a conduit and a market for drugs, ensures that, without a massive coordinated effort by governments in the region, which we do not foresee in the next two decades, narco-trafficking will maintain a hold on significant parts of the hemisphere. This implies, as well, the ancillary criminal activity including arms and human trafficking.

THE SCENARIO FOR SPECIFIC COUNTRIES AND REGIONS

Mexico

By 2020, Mexico will be the USA's principal trading partner. The lack of real progress in the rest of Latin America will have confirmed, for Mexico, the wisdom of its choice to tie its fortunes to the North. Regardless, Mexico will continue to play a role in Central America. In international trade, Mexico will jealously protect the market access it has gained through its numerous free trade

agreements, although it will see its privileged access diluted as other countries catch up and as WTO-type agreements enter into force. As a result of the experience of electing a non-PRI president early in the century, the permanence of Mexico's single party system will have been shattered. By 2020, important structural reforms and improvements will have occurred, brought about in part at least by the need to harmonize its policies with the USA. Despite improvements in regulating the border, Mexico will remain a principal point of entry for drugs and illegal migrants moving into USA.

Cuba

By 2020 Cuba will have changed significantly. With the departure of Castro, there will be a transition to much greater openness and some democratic freedoms. This openness will continue to be managed by strong institutions for a time, at least, but the turmoil of transition will make the country a more normal part of the Caribbean, which, among other things, means that it will be more likely to contribute its share of activities of organized crime and smuggling. The speed and smoothness of the transition will be determined by the emergence of new political leadership, the timing of the lifting of the US embargo, the level of economic growth and development and the role of the exile community. The return of Cuban ex-patriots, with demands for compensation and restoration of property, will cause disruption, but this is unlikely to last more than a decade following their return. With the end of the embargo, the economic situation on the island will brighten considerably, but this will not be an automatic remedy to the severe structural obstacles to integration of the Cuban economy into world markets. Ultimately, how Cuba will look in 2020 will depend more than anything else on when Castro departs. If sooner, Cuba will have had time to adjust to a more normal country; if later, the transition will still be on-going by 2020.

The Caribbean Islands

The small island economies of the Caribbean have shown little sign of being able to adapt to the global environment. They are unlikely to make much progress by 2020. Many will have even closer trade and regulatory ties to the USA. The great problem will be whether the smaller island nations, with few or no resources, will fall further behind than most. Other serious issues facing this region will include organized crime, increasingly destructive and frequent weather events, and rising sea levels. One anomaly in the region could well be that Haiti, having failed completely and beyond redemption, became a protectorate of the United Nations or the Organization of American States.

Central America

In Central America, most governments will continue to struggle with structural reform programs. Corruption will remain a major impediment to progress. Drug smuggling, gang activity, migrant trafficking, and the left-over arms from past wars will contribute to high levels of criminal violence. These problems will offset the economic benefits that could have otherwise derive from closer ties to Mexico, the USA and one another through CAFTA. If civil wars or border disputes re-emerge anywhere in Central America, the prospects for the region are more negative, but we doubt that shooting will break out any time between now and 2020.

The Andes

Narcotraffickers and the anti-government groups that protect them will be present throughout the Andes. Assuming that governments will not be capable of mounting an appropriate military or security response on their own, narcotrafficking operations will likely be found in Colombia, Bolivia, Peru, Ecuador, and Venezuela. The pursuit of such organizations will not lead to interstate border conflicts, but interstate cooperation in dealing with the problem will remain incomplete. Human rights

issues will continue to be a concern. The political legitimacy of currently existing insurgent and paramilitary groups may fade over time; however, in the absence of social improvements, such organizations will continue to find recruits among the poor, the indigenous, and the idealists. The lengthy period of US engagement in Colombia will likely lead to some improvements in governance and a trickle of investments could also return, particularly in the energy sector. Venezuela will bear the scars of Chavismo for many years, and, although the alleviation of poverty and inequity will dominate the political agenda, Chavez-style populism will prove the principal obstacle to lasting improvements. A sharp change in US engagement in the Andes, whether a move towards withdrawal or a stepped up military presence, would alter the outcome of this scenario. Due to weak governance, Andean nations would lack the capacity to make up for the loss of US support on their own, and challenges to local authority would inevitably grow worse.

Brazil

Brazil will likely have failed to deliver on its promised leadership in South America, due as much to the skepticism of its neighbours as to its frequently overwhelming emphasis on its own interests. It will, nevertheless, continue to be the dominant voice on the continent and a key market for its Mercosur partners. Brazil will still not have won a permanent seat on the Security Council, but it will continue to consider itself a global player. Although Brazil's economic improvements are not likely to be spectacular, the size of its economy, along with its lively democracy, will continue to have a stabilizing effect on the entire region. Trade arrangements with Europe, the USA, and large developing economies, mainly China and India, will help to keep its exports growing steadily enough to offset its overall lack of economic dynamism. Even after twenty years, efforts to pass vital reforms to Brazilian institutions will still be underway. Though the situation is bound to improve somewhat, the so-called "Brazil cost," itself a governance issue, will continue to thwart efforts to modernize the economy thoroughly. Brazil's complex and burdensome taxation system, fiscal wars between its states, and the limits of its internal transportation infrastructure, will persist. Taking advantage of Asia's hunger and improved ties with Europe, Brazil will endeavour to offset its structural limitations through its robust agribusiness sector. Brazil's sizeable debt and vulnerability to inflation will also remain matters of concern.

Southern Cone

Economic success in the Southern Cone will continue to be inconsistent and crisis prone. Argentina will have largely recovered from its economic woes of two decades past, having reduced its debt through negotiation and regained some of its economic vitality. A return to the standards of living enjoyed before the collapse, however, will remain elusive. Finding a balance between its aspirations for political and economic greatness and what is sustainable will be a constant theme in Argentina domestic politics. Chile, on the other hand, defying regional trends, particularly related to governance, is set to continue its economic ascent. Although it will be able to "punch above its weight" on Latin American issues, it will not depend solely on its neighbours for its economic well-being and international stature. This will help it to weather whatever turbulence its neighbours experience.

WILDCARDS

The following wildcards could affect the way events unfold in Latin America. In all cases, the effect of such developments felt in 2020 will depend on when they happened, in the (unlikely) event that they did happen.

1. An Islamic Extremist Terrorist Event: The effects of a terrorist event in the Western Hemisphere carried out by al-Qaeda or a similar group depend on two factors: the target and the place of origin. A *terrorist attack in the USA* would strengthen US political will in the War on Terror which we believe will still be going on in 2020. It would strengthen efforts to broaden definitions of security as well as the willingness to apply force to counter security threats. A *terror attack in the USA launched from Latin America* would have serious ramifications for the region's relations with the US especially regarding immigration and security issues. Depending on the target and the severity, a *terrorist attack in Latin America* against American interests could have a similar effect. Terrorist attacks by Islamic fundamentalist extremists against Latin American interests in Latin America, on the other hand, would have a much greater effect on the security arrangements between states in the region.

2. International Conflict Distracts the USA: If the USA is involved directly in a foreign war (e.g. Iran, North Korea, or Syria) or leads the effort to pick up the pieces (e.g. Pakistan vs. India), it will be distracted away from Latin America. The impact of such wars on Latin America, then, would be twofold: first, the US would be distracted, and, second, such conflicts would affect the global economy and, hence, Latin America.

3. A Sudden Collapse of the Cuban Civil Authority: Should Castro's decline or departure trigger a breakdown in civil order in Cuba, internal disruptions could include massive out-migrations and increased criminal activity. In an extreme case, it could even trigger direct US intervention. The arrival of huge numbers of Cuban ex-pats in Cuba, seizing property and making demands of the now diminished Cuban state, could also complicate the situation.

4. A Brazilian Credit Event: If Brazil were to crumple under the weight of its debt, the entire region would suffer from spill-over effects. The investment climate all over Latin America could sour, and it would take years to restore confidence. Mexico and Venezuela, where oil revenues bolster GDPs, would be relatively shielded from the direct impact of a collapse, but a Brazilian meltdown would have global effects on emerging market debt and other investment patterns throughout the region and around the world. Mercosur would languish as a result of Brazil's difficulties and, although Chile is better prepared to weather storms than anyone else in Latin America, its investments in the region would be vulnerable. In Brazil, economic collapse would undermine reform efforts as citizens would blame the government for poor economic management. New forms of populism and nationalism would capture the mood of dissent, prompting a descent into renewed economic nationalism and an increasingly uncooperative brand of federalism. Internationally, Brazil's political leadership in Latin America and the developing world would be seriously compromised.

5. A New Drug: If a new drug were to displace cocaine in world markets, it would have an overall negative effect on the Andean economy, increasing unemployment, and provoking a loss of hidden revenues. More significantly, however, it would have an overall positive impact on diminishing the severity of the conflict throughout the Andes. The loss of revenues could make remaining insurgents more open to a political solution